Book/File

Carma

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Annual Report 1980

Carma
Developers Ltd.

Carma - Growth and Diversification in the '80's

Carma Developers Ltd. was incorporated in Alberta twenty-two years ago. Its objective was to assemble and develop land for its owners, the builder shareholders, and to become the best and most highly respected developer in Calgary. The company's operations now extend to five Canadian provinces and ten American states. Besides developing fine communities, Carma is putting increased emphasis on acquiring and constructing rental properties in order to broaden its earnings base.

The company began modestly in 1958 with 45 shareholders and assets of $250,000. Over the years it progressed steadily and in 1971 showed a net income of $798,000. Since 1972, when Carma became a public company, growth has been dramatic. With assets of $1 billion, it now conducts its business from Vancouver to Florida in fields as diverse as condominiums and chemicals.

In 1980, as part of its planned expansion and diversification program, Carma completed the purchase of Allarco Developments Ltd., an Edmonton based company well established in the fields of real estate, petrochemicals, finance and investment. The Allarco purchase has contributed a great deal to the company in terms of both people and assets.

Contents

Report to Shareholders

1980 was a year of extensive growth in most areas of Carma's operations.

Net income increased by $14.1 million to $43.9 million for the year ended December 30, 1980. Total revenues rose to $340.1 million, a dramatic increase from the $142.5 million recorded for 1979. 1980 earnings per share were $1.92, up 60 cents from the $1.32 earned in the previous year.

The year began with concern about the continued high interest rates and potentially restricted residential lot production and sales. Interest rates continue to be a major problem for the industry, but with our unique builder-shareholder relationship and careful planning and merchandising, Carma has maintained an impressive share of its market. A total of 2,713 low density residential lots were sold during the year, approximately 90% from the Canadian operations. The balance came from residential projects in Houston and Seattle.

In 1980, Aliso Creek Villas, a 392 unit residential condominium in Orange County, California, was completed and successfully marketed. Construction commenced on a 50 unit, luxury highrise condominium on Wilshire Blvd. in Los Angeles, and on a 72 unit ocean front highrise in Juno Beach, Florida. The acquisition of the Whiting Ranch property in Orange County and the ongoing planning of the Texas land holdings provides Carma with the potential for developing large, specialized communities in high demand areas.

Carma is actively expanding its commercial development interests throughout North America. 1980 construction schedules were maintained on the 20 storey office tower in downtown Edmonton to be completed in 1981. The first phase of the regional shopping centre in north Calgary's Deerfoot Business Centre received its zoning and anchor tenants, and, just before Christmas, the Centre's Carma Building was "open for business", bringing the Calgary and Corporate operations under one roof. The building is a showcase for the future development of the Centre. As of December 30, 1980, the company was planning the construction of a 230,000 square foot office complex in San Francisco's satellite community, Walnut Creek, and major office facilities in the downtown cores of Denver, Seattle and Calgary. Land acquisitions have been made for regional shopping centres in three northern Alberta communities.

LAND HOLDINGS IN ACRES **Carma's land bank activities since 1972 are summarized as follows:**

	Land Controlled At Beginning of The Year	Land Acqired During The Year	Land Disposed of During The Year		Land Controlled At End of Year
			Acres	Percentage at Opening Balance	
1972	4,504	2,593	982	21.8%	6,115
1973	6,115	5,421	599	9.8%	10,937
1974	10,937	1,663	1,797	16.4%	10,803
1975	10,803	1,953	646	6.0%	12,110
1976	12,110	1,365	838	6.9%	12,637
1977	12,637	3,504	1,146	9.1%	14,995
1978	14,995	1,689	2,750	18.3%	13,934
1979	13,934	1,982	1,770	12.7%	14,146
1980	14,146	14,650*	2,388	16.9%	26,408

*This includes 10,248 acres owned by Allarco Developments Ltd. at Dec. 30, 1980.

Klaus Springer, Chairman of the Board

Carma made several major corporate announcements during the year. In December it made known its intention to reorganize the company's corporate structure, realigning its assets into a parent company, real estate subsidiaries in Canada and the United States, and Allarco Developments Ltd.

The Allarco purchase is important to Carma's asset growth and overall potential. The Edmonton company is actively involved in the fields of real estate, petrochemicals, finance and investment, and has interests in a wide variety of enterprises ranging from automotive sales to life insurance, data processing, construction and restaurant operations.

By year end, the company had also acquired 22.4% of The Christiana Companies, Inc. Christiana is based in San Diego, California and is actively involved in real estate development in southern California, Houston and Atlanta.

In order to increase flexibility in making acquisitions or raising additional capital, several changes to Carma's share structure were ratified at a special shareholders' meeting on October 15, 1980.

Approval was received for: a two-for-one split of Class A and Class B convertible common shares, the creation of an additional authorized number of Class A and Class B convertible common shares, the creation of two additional classes of non-voting common shares and the creation of an additional twenty million preferred shares. The increase in authorized capital will be used to meet the Company's future financing needs.

Carma prides itself on being people-oriented, and before any overview of the past year is complete, acknowledgement must be made to the many people involved in the Carma organization. A special vote of thanks is given to our Chairman of the Board, Klaus Springer. We extend appreciation to our Board of Directors, builder-shareholders, advisory board members, committee members, consultants, suppliers, and to every staff member.

Only with the internal support of its members can any corporation achieve a consistently high level of its potential. Carma reaches new performance levels each year and can look forward with pride to continued growth and prosperity.

C. J. Combe,
Vice-Chairman of the Board
and Chief Executive Officer

Roy Wilson,
President

CARMA LOT SALES

Residential (low density) lot sales were recorded in the following communities during 1980.

Calgary:	
Beddington	5
Castleridge	149 *
Crowchild Ranch	16
Edgemont	279
Erin Woods	154 *
Falconridge	43 *
Hawkwood	262
MacEwan Glen	297
Riverbend	53 *
Scenic Acres	152
Woodbine	135 *
The Woodlands	26 *
Total	1,571
Vancouver Region:	
Bonavista	30
Briarwood of Guildford	109
The Glades	38
Matlock	40 *
Mountain Meadows	109
Ocean Village	75
The Orchard	15
Sunshine Woods	128
Tiffany Estates	50 *
Total	594
Edmonton Region:	
Blue Quill	1
Clareview	3
Crawford Plains	11
Riverbend	49
Total	64
Hamilton Region:	
Albion Estates	121
Mississauga Region:	
Deer Run	137 *
Seattle Region:	
Alderbrook	108
Inglewood Glen	14
Total	122
Houston:	
The Colonies	104
	2,713

* Carma's net share of joint venture projects

Corporate Review

Carma owns 40 per cent of Alberta Gas Chemicals Ltd. Their third world-scale methanol plant is currently under construction near Medicine Hat, Alberta.

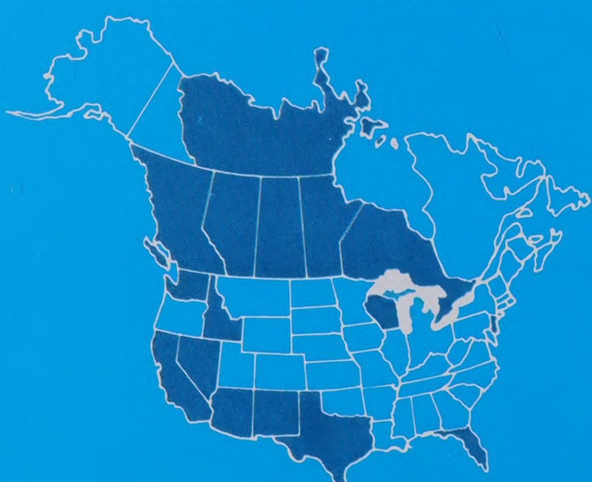
During 1980, it became increasingly evident that in order to keep pace with the company's extensive growth and diversification, changes would have to be made to Carma's corporate framework and its financial base. Subsequently, major decisions were made toward the year's end to realign both the corporate and financial structures.

In December, Carma announced its intention to reorganize into three separate and distinct areas of operation and management. The proposed restructuring will establish a Canadian Real Estate subsidiary, a United States Real Estate subsidiary, and an Allarco subsidiary. It is anticipated that a new parent company will be incorporated to provide overall direction and policy formulation. Though preliminary procedures have begun, Carma does not expect the reorganization to be entirely in place before mid 1981.

The purchase of Allarco Developments Ltd. has already been touched upon in this report. Four of their operating divisions are of special interest to Carma - Real Estate, Alberta Gas Chemicals, North West Trust Company and Seaboard Life Insurance Company.

Real Estate:

Allarco's extensive and varied real estate holdings are presently being analyzed to determine those to be managed by the appropriate Carma operations and those to be retained in the Allarco portfolio.



Alberta Gas Chemicals:
Alberta Gas Chemicals, 40% owned by Allarco, has two world-scale methanol plants in operation in Medicine Hat, Alberta, each presently producing 600 tonnes per day. A third plant is under construction and will double the existing capacity. Negotiations are nearing completion with the government of New Zealand to form a joint venture for the construction of a 1,200 tonne a day plant in that country. AGCL also operates a malic acid plant in Minnesota and maintains a sales office in New Jersey through a wholly owned United States subsidiary.

North West Trust Company:
North West Trust Company, 69% owned by Allarco, operates 13 branches in the four western provinces. Head offices of this public company are located in Edmonton with shares traded on the Alberta Stock Exchange. Net earnings for the year ended December 31, 1980 were $9.2 million, up substantially from the $5.8 million reported in the previous year.

Seaboard Life Insurance Company:
Seaboard Life Insurance Company, 68% owned by Allarco, has its head office in Vancouver. The company is active in five Canadian provinces, the North West Territories, and the states of Washington and New Mexico. The company reported net earnings for 1980 of $2.5 million, an increase of 24% over 1979.

Carma:
In order to increase flexibility for future financing, several changes were made to the existing share structure and approved at a special shareholders' meeting on October 15, 1980.

A Special Resolution effected a two-for-one share split of the issued and unissued Class A and Class B convertible common shares without nominal or par value.

An additional 51 million Class A and Class B convertible common shares were created with the same rights, restrictions, conditions and limitations as the existing shares of those classes. This brought the total to 75 million shares of each class after giving effect to the two-for-one share split.

Shareholders also approved the creation of two additional classes of common shares — 50 million Class C and 50 million Class D shares, essentially similar to the Class A and Class B common shares, except they shall not carry a vote and shall be entitled to a dividend of 105% of any declared dividend on Class A and Class B shares.

Approval was given for the creation of up to 20 million Convertible Preferred Shares. These have the same rights as the existing shares of such class and rank in priority to the four classes of common shares.

Corporate Head Office

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Canadian Real Estate Review

Corporate and Calgary offices moved to the Carma Building in the Deerfoot Business Centre. A second building, now under construction, will be completed in 1981.

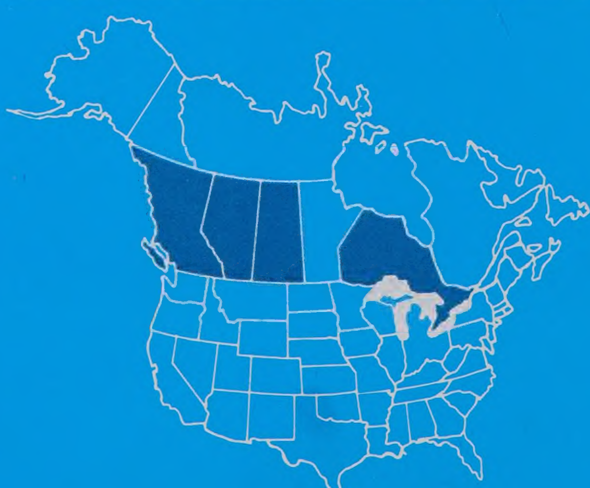
The Canadian Real Estate Division had a tremendously active and successful year. At a time when high interest rates and economic uncertainty adversely affected the housing market, Carma reported increased residential lot sales in three of its four market areas.

Calgary: The company was active in virtually every sector of the city. Record sales of 1,571 low density residential lots represented nearly 58% of the total Carma production for the year. The sales were recorded from 12 separate communities. Five of these communities, Castleridge, Erin Woods, Hawkwood, Scenic Acres, and Riverbend recorded first time lot sales.

During 1980, land use approval was received on a 62 acre site in northeast Calgary. In close proximity to the Deerfoot Business Centre, the site will be developed as a mixed use residential project.

A major transaction was completed in late 1980 involving the sale of 823 acres of joint venture land in the northwest and southeast sectors of Calgary. The operating agreement entitles Carma to participate in the future development of the land.

During 1980, increased commercial development was evident throughout Calgary. Tremendous progress was made on the Deerfoot Business Centre. Carma's Corporate, Land and ICI



operations were installed in new offices in the Carma Building, and construction was well underway on the second office structure and the regional shopping centre, the Deerfoot Mall. The first phase of the Mall will be completed by late summer, 1981 and will include a Hudson's Bay store, Woolco Department store and 100 smaller stores.

Two new commercial projects were begun during the year. A major joint venture agreement has been completed for a proposed twin office tower complex totalling 1.2 million square feet in the heart of Calgary's downtown business district. And, a 1.4 million square foot commercial and office complex in southeast Calgary will be developed as a joint venture in Riverbend Business Park. Initial construction should begin in 1981.

Edmonton: While there was a reduction in Edmonton's residential lot sales in 1980, a great deal was accomplished in securing the necessary approvals for future production in those areas where Carma intends its marketing thrust for the rest of the 1980's. Included are the metropolitan areas of Fort Saskatchewan, Leduc, St. Albert and the Riverbend-Terwilligar district in southwest Edmonton.

First residential lot sales in Carma's Terwilligar Neighbourhoods were recorded during 1980 and construction is well advanced on the Information Centre/Home Show models, scheduled for a July, 1981 opening. The complete marketing program will be phased in over a five to seven year period. Negotiations for final approval of residential subdivisions in St. Albert, Leduc and Fort Saskatchewan are nearing completion. Lot draws are anticipated from at least two of these areas during the latter part of 1981.

Carma adjusted its land bank through major purchases and sales in the greater Edmonton area. Approximately 720 acres were acquired in the northeast sector just outside the city boundaries, and 150 acres in the St. Albert area. Both are joint venture transactions with Carma owning 75% and assuming the operator's role. Land sales included 183 acres in the northwest sector just outside the city limits, and 160 acres in northeast Edmonton. While land use planning is underway on the northeast lands, the final decision will be based on the eventual outcome of the City of Edmonton's annexation bid.

In 1980, Carma completed the joint venture purchase of a portion of two industrial subdivisions. Included in the purchase are 62 acres in the Eastgate Business Park and 24 acres in the South Edmonton Industrial Park, with a combined total of 47 registered and serviced parcels.

Construction is proceeding well on the 20 storey atrium office tower in downtown Edmonton. It is expected that the 1981 completion date will be met. Outside of the metropolitan areas, the company is in varying stages of planning and approvals on regional shopping centres in three northern Alberta communities.

Canadian Real Estate Offices

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V3T 5B1
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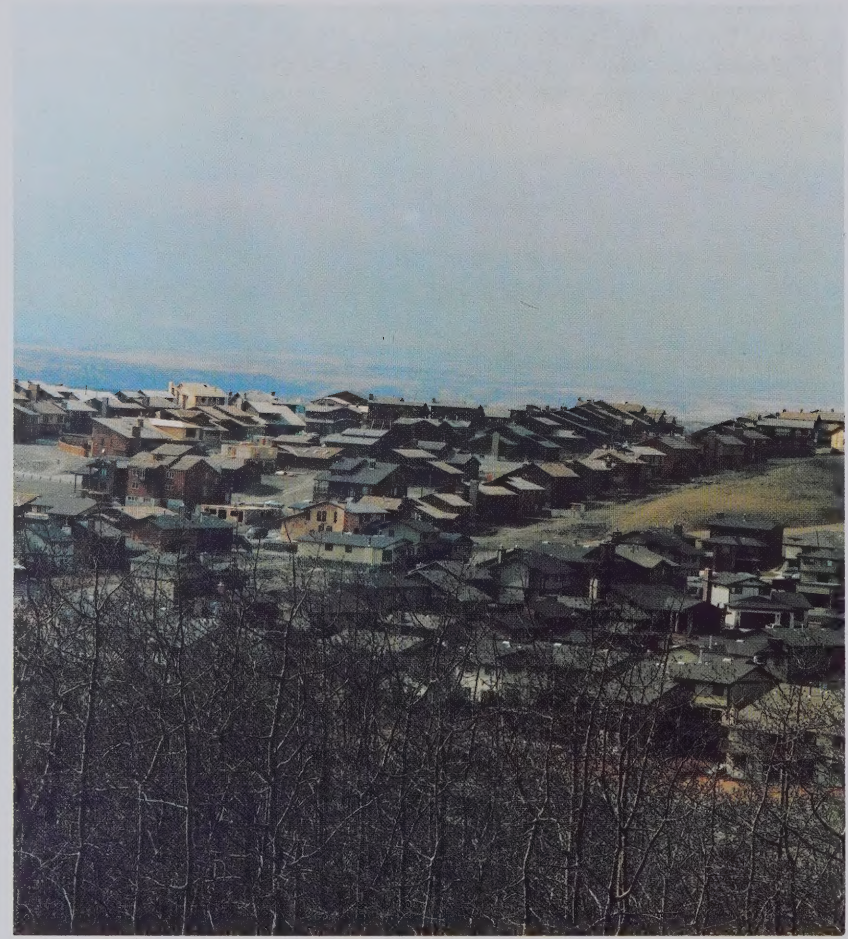
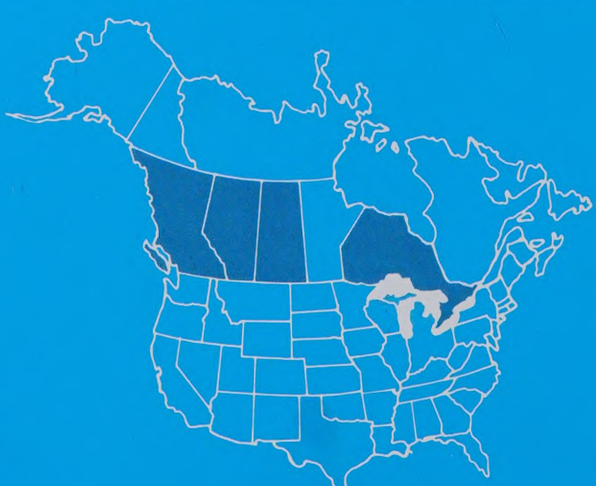
(604) 585-3121



Calgary's northwest community of Edgemont contributed to Carma's successful 1980 lot sales program.

Vancouver: The Vancouver office enjoyed its best year ever in an extremely active market. A record 594 low density residential lots were sold in nine different communities.

The active real estate market in the greater Vancouver area has reduced the amount of residential land available for development in many of the traditional market areas. Carma recognized that in order to stay competitive, new areas must be established and promoted. In 1979, Carma took the initial step of acquiring substantial land holdings in Port Moody, with a potential for continued development over the next five to seven years. To enhance the continuation of Carma's residential lot development program, additional lands have been acquired in Walnut Grove in the Municipality of Langley, and in Matsqui near Abbotsford. With its ongoing projects and the continuing strong market anticipated in the Vancouver area, Carma is predicting positive gains in lot production and sales for 1981. The company is also planning to follow the trend to diversification in its operations by looking at various revenue producing projects.



Ontario: Activity in Ontario's real estate market provided some encouragement for Carma during 1980. In Hamilton's Albion Estates, the majority of the lots held at the beginning of the year as inventory were sold. Residential lot sales were also recorded in Carma's joint venture subdivision in Mississauga following several years of planning and development. Carma purchased a 67 acre parcel of land in Mississauga and entered into a contract for the purchase of an adjoining 130 acres. The company plans to joint venture the development of an industrial park on the acquired lands.

At December 30, 1980 Land Controlled by Carma
Was Located In the Following Regions:

	Land, Developed and Under Development	Land Held for Future Development	Total Land Controlled
Calgary, Alberta	223	4328	4551
Edmonton, Alberta	66	5103	5169
Red Deer, Alberta Area	5	1417	1422
Northern Alberta	14	2253	2267
Southern Alberta	111	503	614
Vancouver, British Columbia	48	563	611
Prince George, British Columbia	—	786	786
Other British Columbia Areas	—	221	221
Hamilton/Oakville/Mississauga, Ontario	68	1484	1552
Saskatchewan		9	9
	535	16,667	17,202

United States Real Estate Review

Aliso Creek Valley, Carma's first condominium project, in Orange County, California, was completed and successfully marketed during the year.

The United States real estate operation is divided into four geographic areas: Pacific Northwest, Southern California and Arizona, Texas and Florida, and Colorado. A vice-president in each area will, under the corporate reorganization, report to the President U.S. Real Estate.

Carma began its United States operations in 1977 and at the end of 1980 had offices in Denver, Houston, Santa Barbara, San Francisco and Seattle.

Pacific Northwest: Throughout the year, significant real estate development occurred in the greater Seattle area. In the residential land sector, the 150 acre community of Alderbrook was sold to a large U.S. home builder. The sale consists of a series of purchase and rolling option commitments which will be completed in 1984. An agreement for the first 108 lots was finalized in 1980. As well, an 11 acre multi-family site, adjacent to Alderbrook, was sold to a California builder. During the year, land was acquired for the planned construction of a 40 unit luxury mid-rise waterfront condominium in West Seattle. Design and development have begun for a 1981 construction start.

Two major projects undertaken in 1980, established Carma in the Seattle commercial market. Early in the year, an entire city block was purchased in the downtown central business district.

After careful analysis of the future potential of the "Arcade Block", the property was sold and a joint venture formed. A two phase development program, with Carma as the operator, will ultimately include approximately 1.5 million square feet of office and retail space. First phase development is expected to commence in 1981.

The second joint venture entails the renovation of several existing properties and the further development of sites in the downtown core. City Center Equities, managed and operated by Carma, plans continued land acquisitions which will enable activities to encompass residential condominium projects, hotels, office buildings and other commercial structures. The presently owned properties contain approximately 442,000 square feet of leasable commercial space.

The Walnut Creek Center project is nearing final negotiations for permanent financing and equity underwriting. This is part of the new emphasis being placed on handling risk through equity restructuring. In the past, Carma was prepared to finance its joint venture projects. Now the company is seeking joint venture partners specifically for financing, while Carma provides the expertise in management and development. Construction on Walnut Creek is expected to begin during the first half of 1981.

California Center is in the final stages of amended plan approval. A business park is proposed for the 52 acre site in Sacramento.

Southern California and Arizona: Carma's initial entry into home building in southern California was an unqualified success. Aliso Creek Villas, a 392 unit condominium community in Orange County was sold after a May lottery drew more than 7,200 applicants. It was the County's first affordable housing project and officials from the Orange County Housing Authority were very satisfied with the results. Continued close liaison is expected on planned future affordable housing projects in the County.

During 1980, Carma acquired the Whiting Ranch property in Orange County and land use planning is well underway. Development of the 2,769 acre site will provide a balance of residential, commercial and industrial use.

In 1980, construction began on Carma's joint venture luxury highrise condominium project in Los Angeles. The 15 storey Wilshire Thayer will contain 50 residences and should be completed before the end of 1981.

Texas and Florida: Carma owns or controls over 1,400 acres of land in the Houston area with serviced lots in its residential communities and choice acreage in the northwest sector of the city.

In August the remaining 103 lots in the Jamestown section of the Colonies were sold. Negotiations are continuing with several builders for either a joint venture building program or the outright sale of lots in the two remaining sections of the community.

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98104
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Carma's joint venture construction of Dominion Plaza, a twin office tower complex in downtown Denver, Colorado, will be one highlight of the 1981 United States real estate program.

Approval was received for the development of a mixed use commercial park in the master planned community of Copperfield in northwest Houston. A 60% interest was sold in November, 1980 with Carma forming a joint venture with the purchaser to develop the 52 acre site. Easton Commons will include 14 retail, office, service and multi-family sites.

Residential development dominated the Florida operations during 1980. Final planning of Carma's joint venture communities of Rainbow Lakes and Tartan Lakes, in the West Palm Beach area progressed to a point where preliminary marketing of residential lots has begun. In November, construction began on a joint venture apartment condominium in Juno Beach, Florida. By year end, 58 of the 72 unit ocean front high rise had been reserved for delivery on the expected February 1982 completion date.

In 1981, the Florida operations will be part of an enlarged southeastern region headquartered in Houston.

Colorado: It was an extremely active year for Colorado's industrial and commercial operations.

The twin office towers in the Marketplace Complex are fully leased. Additional space has been converted within the retail complex to provide even more office accommodation. Construction is underway on a 70,000 square foot

office building adjacent to Marketplace to help meet the high demand in the area for office accommodation.

During 1980, the acquisition of two key adjacent sites in downtown Denver provided the land for the joint venture construction of twin office towers. Demolition of the old on-site buildings was commenced in late 1980 and construction of the new complex is to begin in early 1981.

Carma has entered into other joint venture agreements for the development of a 10 acre office park and a 15 acre commercial development in northwest Denver plus a 28 acre office/commercial project in the southwest sector.

The Denver office will continue to put its emphasis on developing commercial office space and looks forward to very active operations in 1981.

At December 30, 1980 Land Controlled by Carma Was Located In the Following Regions:

	Land, Developed and Under Development	Land Held for Future Development	Total Land Controlled
Los Angeles, California Area	—	3353	3353
Sacremento, California Area	—	96	96
San Diego, California Area	—	208	208
San Francisco, California Area	—	3	3
Texas	101	1382	1483
Seattle, Washington Area	105	88	193
Arizona	—	1787	1787
Nevada	—	605	605
Atlanta, Georgia	—	750	750
West Palm Beach, Florida	—	667	667
Denver, Colorado	24	—	24
Puerto Vallarta, Mexico	—	37	37
	230	8,976	9,206

Financial Review

Financial Highlights
(thousands of dollars)

	1980	1979	1978	1977	1976	1975
Revenue	340,107	142,508	104,620	62,100	57,755	39,487
Net income	43,886	29,790	21,949	11,410	10,429	7,266
Funds from operations	36,581	27,670	36,996	17,357	10,173	10,920
Dividends paid	8,654	6,504	3,085	1,762	1,091	267
Per common share*						
Net income						
— basic	$ 1.92	$ 1.32	$ .98	$ .52	$ .48	$ .35
— fully diluted	1.91	1.32	.97	.51	.47	.35
Funds from operations	1.60	1.23	1.65	.79	.47	.53
Dividends	.38	.28	.12	.08	.05	.01
Book value	5.60	3.86	2.79	1.94	1.51	1.09
Market price range	6.00-16.50	4.37-9.75	2.06-5.37	1.37-2.31	1.06-1.50	.66-1.22
Other statistics (thousands of dollars except shares)						
Land	376,825	207,742	159,854	127,599	94,091	74,779
Rental properties	217,252	41,484	28,984	5,157	—	—
Total assets	1,030,771	398,279	281,258	179,011	127,373	103,423
Appraisal increment	417,687	209,721	222,557	160,604	157,719	113,029
Long term debt	580,936	200,690	134,134	87,202	51,592	54,967
Shareholders' equity	130,363	89,218	66,495	47,798	33,054	23,282
Common shares outstanding*						
Actual	22,686,611	22,204,460	22,104,280	22,078,560	21,918,272	21,357,768
Weighted average	22,263,341	22,163,338	22,097,178	22,027,228	21,825,992	20,594,968

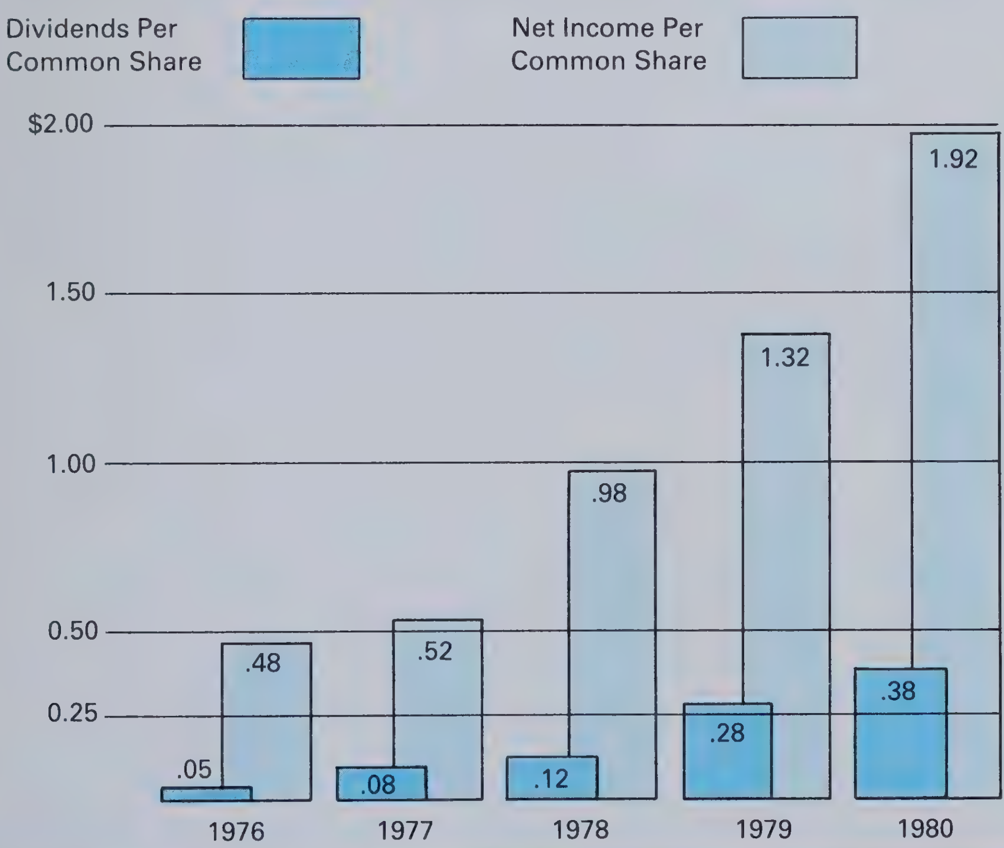
*adjusted for the 3-for-2 split in 1975 and the 2-for-1 splits in 1976, 1978 and 1980.

Consolidated Results

Net income increased to $1.92 per common share in 1980 compared to $1.32 per common share in 1979, or 45 percent in the year — well in line with the five year compound growth rate of 43 percent.

Carma has brought together projects which have produced a growing stream of earnings for its shareholders. The following graph illustrates Carma's five year net income and dividend record. Net income per common share has grown greatly since 1975 as a result of improved profitability and growth of operations across Western Canada and throughout the Western United States. Consequently, Carma has been able to repeatedly increase its dividend per common share. Growth in earnings and dividends has been maintained in spite of the need for earnings to be retained within the company to finance ongoing growth.

NET INCOME AND DIVIDENDS PER COMMON SHARE



Results from Operations

Despite high interest rates in the first and last quarters of 1980, operations for the year were more profitable than in 1979, with net operating income of $29.0 million compared with $28.7 in 1979. Revenues from sales of residential lots reached $106.2 million, up 40% from 1979, while sales of all other real estate of $128.9 million exceeded by 143% the 1979 figure. In total, 2,713 residential lots, 59 acres of high density land, 1,732 acres of undeveloped land, 384 residential units and three rental properties were sold. Cash flow from operations increased to $36.6 million, or 32% greater than in 1979.

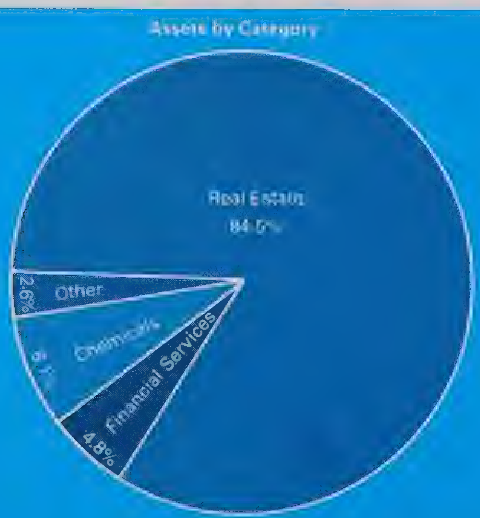
Allarco Acquisition

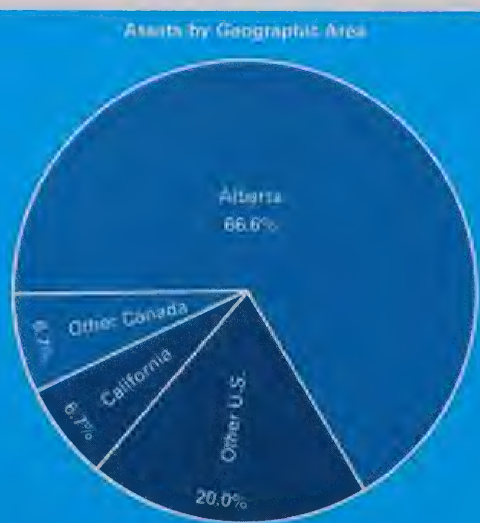
A most significant 1980 event was the acquisition, in stages, of the balance of Allarco Developments Ltd. The assets and liabilities of Allarco are included in the Carma consolidated balance sheet at December 30, 1980 accounting for approximately $483.5 million, or 47%, of the total assets.

The consolidated income statement, of course, includes only the proportionate share of Allarco's income represented by Carma's increasing ownership from time to time throughout 1980.

As shown in greater detail in the notes to the financial statements, the acquisition had a significant impact on the overall appraisal increment. The appraisal increment at December 30, 1980 on Allarco real estate, after the allocation of the excess of purchase price over book value, was $139.6 million, or 33% of total appraisal increment. The excess of purchase price over book value was allocated entirely to the following asset categories:

	Allocation of excess of purchase price over book value
	($000's)
Rental properties	37,300
Property and equipment	17,600
Investment in Alberta Gas Chemicals Ltd.	60,400
	115,300





Deployment of Capital

Total assets increased by 159 percent to $1,031 million, with $756 million (73%) located in Canada and $275 million (27%) located in the United States. In addition, Carma's real estate had an appraised value of approximately $417.7 million excess of book value.

Carma further diversified its earnings base by investing $189.0 million in 1980 to increase its ownership in Allarco Developments Ltd. to 100% from 27%, thus providing exposure to Allarco's involvement in chemicals and financial services. It is expected that Allarco will add significantly to future earnings and asset growth.

Capitalization

Carma continuously requires capital to fund its rapidly expanding activities. Funds are generated by operations, by external financing and through the disposal of existing assets.

The acquisition of Allarco was financed with $172.2 million of long term debt, and only $2.3 million cash and $6 million of common stock. When added to the major expenditures made directly by Carma into U.S. and Canadian projects, the total long term debt-to-equity ratio increased from 2.25 to 1 in 1979 to 4.46 to 1 in 1980. In December 1980 a prospectus was filed for public and private sales of a total of $130,000,000 of convertible preferred shares in early 1981. Including the convertible preferred shares in the 1980 balance sheet would have reduced the long term debt-to-equity ratio to 2.23 to 1, as well as extinguishing bank indebtedness.

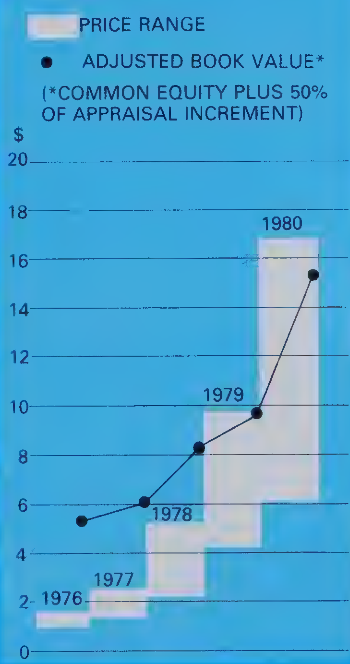
Short term bank debt was partially refinanced through additional long term debt which included $27 million Series D, and $15 million Series E, Sinking Fund debentures.

Common Share Performance

Carma's common shares were publicly listed in late 1972, at an issue price of $7⅞ which is the equivalent of $0.66 today after giving effect to subsequent stock splits totalling twelve-for-one. The closing price of $16¼ on December 30, 1980 represented an increase of more than 2300% over approximately eight years. In addition, common dividends paid from 1974 through 1980 totalled $20 million or a further $0.88 per share.

The common shares are listed on the Toronto and Alberta Stock Exchanges. There were 22,686,611 common shares outstanding at December 30, 1980, of which approximately 81% were registered in the names of Carma Builder-Shareholders, and 99.9% were registered in the names of Canadian residents.

COMMON SHARES
(RESTATED FOR SHARE SPLITS IN 1975, 1976, 1978 AND 1980)



Auditors' Report

AUDITORS' REPORT

To the Shareholders of
Carma Developers Ltd.

We have examined the consolidated balance sheet of Carma Developers Ltd. as at December 30, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Carma Developers Ltd. as at December 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells

CALGARY, Alberta
February 23, 1981

CHARTERED ACCOUNTANTS

CARMA DEVELOPERS LTD.
CONSOLIDATED BALANCE SHEET
December 30, 1980

ASSETS

	Note Reference	1980 ($000's)	1979 ($000's)
Cash and marketable securities	3	24,903	16,973
Receivables	4	237,852	96,865
Inventories		11,871	—
Residential units under construction		4,791	8,345
Land, developed and under development	5	75,852	48,150
Land held for future development	6	300,973	159,592
Rental properties	7	217,252	41,484
Property and equipment	8	50,385	1,141
Investments	9	98,708	22,925
Deferred financing costs and other		8,184	2,804
		1,030,771	398,279
LIABILITIES			
Bank indebtedness	10	127,282	12,915
Payables and accruals	11	97,270	44,947
Income taxes payable		5,252	23,847
Long term debt	12	580,936	200,690
Deferred income taxes		82,533	26,662
		893,273	309,061
MINORITY INTEREST		7,135	—
SHAREHOLDERS' EQUITY			
Share capital	13	17,417	10,283
Retained earnings	14	112,946	78,935
		130,363	89,218
		1,030,771	398,279

On Behalf of the Board

Director

Director

CARMA DEVELOPERS LTD.
CONSOLIDATED STATEMENT OF INCOME
Year Ended December 30, 1980

	Note Reference	1980 ($000's)	1979 ($000's)
Revenue			
Real estate			
Residential lots		106,208	76,103
Residential units		25,578	—
Commercial, high density and undeveloped property		103,345	53,062
Rental income		14,127	1,396
Interest and other		21,048	11,947
		270,306	142,508
Financial services		26,909	—
Retail, service and other		42,892	—
		340,107	142,508
Expenses			
Cost of real estate			
Residential lots		69,704	45,821
Residential units		23,514	—
Commercial, high density and undeveloped property		60,389	22,335
Rental operating costs		7,272	448
Financial services		17,177	—
Retail, service and other		46,067	—
Interest	15	36,255	9,882
Administrative and general	16	19,182	8,747
Depreciation and amortization		3,530	752
		283,090	87,985
Net operating income before income taxes		57,017	54,523
Income taxes		28,039	25,783
Net operating income		28,978	28,740
Equity in net income of affiliates and unconsolidated subsidiary	9	15,956	1,050
Minority interest		(1,048)	—
Net income		43,886	29,790
Earnings per common share			
Basic		$ 1.92	$ 1.32
Fully diluted		$ 1.91	$ 1.32

CARMA DEVELOPERS LTD.
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended December 30, 1980

	Note	1980 ($000's)	1979 ($000's)
Balance, beginning of year		78,935	57,038
Net income		43,886	29,790
		122,821	86,828
Less: Dividends	14	8,654	6,504
Excess over stated value of common shares repurchased		1,221	1,389
		9,875	7,893
Balance, end of year		112,946	78,935

CARMA DEVELOPERS LTD.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended December 30, 1980

	Note Reference	1980 ($000's)	1979 ($000's)
Cash was provided by the following			
Operations			
Net income		43,886	29,790
Items not requiring (not providing) cash			
Depreciation and amortization		3,530	752
Deferred income taxes		4,124	(1,919)
Equity in net income of affiliates and unconsolidated subsidiary, less dividends received		(15,226)	(953)
Minority interest, less dividends paid		267	—
		36,581	27,670
Increase in			
Bank indebtedness		74,108	—
Mortgages and agreements payable		10,774	16,659
Decrease in			
Marketable securities		6,656	—
Inventories		225	—
Investments		11,734	—
Issue of			
Debentures		42,000	35,000
Common shares		48	1,085
Net change in other assets and liabilities		2,182	31,888
		184,308	112,302
Cash was used for the following			
Increase in			
Receivables		85,774	16,819
Real estate assets		70,056	50,256
Marketable securities		—	3,528
Decrease in			
Bank indebtedness		—	6,057
Purchase of shares in affiliates		—	21,972
Redemption and repurchase of			
Debentures		12,432	1,424
Preferred shares		897	656
Common shares		1,282	1,439
Dividends	14	6,526	6,058
Purchase of subsidiary	2	2,316	—
		179,283	108,209
Increase in cash and deposit receipts		5,025	4,093

CARMA DEVELOPERS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 30, 1980

1. Accounting policies

General
The Company's accounting policies are in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

Principles of consolidation
Acquisitions are accounted for on the purchase basis. The results of operations are included in the consolidated statement of income from the respective dates of acquisition. The excess of cost over book value is allocated, where appropriate, to the assets acquired in order to reflect their fair market value at date of acquisition.

Affiliated companies in which the Company can demonstrate significant influence are accounted for by the equity method.

The consolidated financial statements also include the Company's proportionate share of the assets, liabilities, revenues and expenses of incorporated and unincorporated joint ventures and partnerships.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Seaboard Life Insurance Company, a subsidiary, is accounted for on the equity method as its financial statements are prepared in accordance with insurance accounting principles which differ from generally accepted accounting principles.

The guaranteed account assets and liabilities relate to the trust business of North West Trust Company. Guaranteed account assets are not available for use in the ordinary course of business of the Company and therefore they are recorded in the financial statements net of guaranteed account liabilities. The guaranteed account liabilities of North West Trust Company are fully covered by the guaranteed account assets.

Foreign exchange
Accounts in foreign currency are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized gains are recorded as deferred income and unrealized losses in excess of unrealized gains are expensed. Realized gains or losses are reflected in the consolidated statement of income at the time they occur.

Valuation of assets

Marketable securities
Marketable securities are valued in the aggregate at the lower of their cost and quoted market value.

Inventories
Inventories are valued at the lower of cost and net realizable value.

Residential units under construction
Residential units under construction are carried at the lower of their average cost and net realizable value.

Land
Land is recorded at the lower of its cost, which includes development costs and carrying charges, and net realizable value. Costs are allocated to the saleable acreage of each project or subdivision as follows:

1. Accounting policies continued

(i) undeveloped land cost is prorated on an acreage basis in each phase of a subdivision under development;

(ii) servicing costs are estimated and prorated on a front footage or per lot basis in each phase of a subdivision under development;

(iii) upon the substantial completion of each phase of a subdivision under develoment any difference between actual and estimated servicing costs is recognized by way of adjustment in the accounts;

(iv) each phase of a subdivision under development is treated as a complete development area.

Capitalization of costs

Carrying charges are capitalized to rental properties, residential units under construction and land held for future development. Carrying charges consist principally of interest on specific debt, an allocation of interest on general debt and real estate taxes.

Certain administrative and general expenses which are incurred in connection with the acquisition or construction of properties are capitalized as a cost of the property.

Rental properties

Rental properties are recorded at cost less accumulated depreciation and amortization.

Depreciation on rental buildings is recorded on a sinking fund basis over 30 to 50 years. The sinking fund method provides a depreciation charge consisting of a fixed annual sum together with interest thereon compounded at 5% per annum, which is sufficient to fully depreciate the buildings over their estimated useful lives.

Property and equipment

Depreciation on property and equipment is recorded on a straight line basis sufficient to amortize the cost of the assets over their estimated useful lives.

Oil and gas properties

The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and development of oil and gas reserves, whether productive or nonproductive, are capitalized. Proceeds from the disposal of properties are normally applied as a reduction of the cost of the remaining full cost pool.

Recognition of income

Land and property sales

Revenue from the sale of land or property is recorded on closing or, where sold by way of an agreement of purchase and sale, where the agreement is duly executed and delivered. Profit from the sale of land or property is recorded when the collection of the sale proceeds is reasonably assured and all other material conditions are met, including a cash down payment of not less than 15 per cent.

Residential units

The sale of a residential unit is recorded when the completed unit is conveyed to the purchaser.

Rental properties

Revenue from rental properties is recorded in income from the time when an acceptable level of occupancy is achieved, subject to the expiration of a reasonable period after substantial completion. Net profits or losses prior to this time are capitalized.

2. Purchase of subsidiary

By agreements dated July 22, 1980, the Company purchased 950,787 shares (approximately 52.7% of the outstanding shares) of Allarco Developments Ltd. (Allarco) for an aggregate consideration of $129,242,000. The results of operations of Allarco have been included in the consolidated income statement of the Company effective July 1, 1980. Prior to entering into the agreements with major shareholders, the Company had acquired 502,259 shares of Allarco for an amount of $25,449,000. As at December 30, 1980, the Company purchased the remaining 351,919 shares of Allarco for $43,375,000 cash and 376,499 Class A convertible common shares of the Company.

The details of net assets acquired at assigned values are:

	($000's)
Assets acquired	
Real estate	296,361
Investments	102,635
Other	84,553
	483,549
Liabilities assumed	
Long term debt	141,348
Bank loans and payables	72,808
Deferred income taxes	51,747
Minority interest	6,868
	272,771
Net assets acquired	210,778
Financed by	
Notes and loans payable	172,162
Issue of capital stock	5,956
Equity value at date of acquisition	30,344
Cash	2,316
	210,778

3. Cash and marketable securities

	1980	1979
	($000's)	($000's)
Cash and deposit receipts	9,799	4,774
Marketable securities	15,104	12,199
	24,903	16,973

Marketable securities have a market value at December 30, 1980 of $15,800,000 (1979 — $12,764,000).

4. Receivables

	1980	1979
	($000's)	($000's)
Mortgages and agreements of purchase and sale		
Residential lots	71,124	55,057
Commercial, high density and undeveloped property	125,840	34,177
Income taxes recoverable	7,592	—
Due from officers and employees	647	1,078
Accrued interest and other	32,649	6,553
	237,852	96,865

4. Receivables continued

Receivables are due as follows:

		($000's)
Year ending December 30,	1981	137,478
	1982	19,747
	1983	18,612
	1984	17,034
	1985	14,872
Subsequent to December 30,	1985	30,109
		237,852

Mortgages and agreements of purchase and sale bear interest at an average rate of 14%.

Amounts due from officers and employees comprise secured advances under an employee stock purchase plan and house mortgage loans.

By Notices of Reassessment issued in June, 1980, the Department of National Revenue, Taxation, reassessed the Company in respect to three taxation years. The reassessed amount of $5,182,000 was paid and is included in income taxes recoverable. Appeal procedures have been commenced with respect to such reassessments. The issue to be determined is simply the timing of deductions for tax purposes and does not materially affect income reported for financial statement purposes. Tax counsel has advised that the Company has a reasonable expectation of reversing the reassessments.

5. Land, developed and under development

	1980	1979
	($000's)	($000's)
Developed land, at total estimated cost	85,909	41,461
Less: Estimated cost to complete	15,376	7,547
	70,533	33,914
Land under development, at cost	5,319	14,236
Land, developed and under development, at cost to date	75,852	48,150

6. Land held for future development

	1980	1979
	($000's)	($000's)
Land and option deposits	260,233	138,330
Interest	28,741	12,598
Development costs	5,286	5,036
Taxes, professional fees and commissions	3,675	2,062
General and administrative expenses	3,038	1,566
	300,973	159,592

To acquire the land under option, an additional expenditure of $30,293,000 (1979 — $20,350,000) would be required.

During the year $21,803,000 (1979 — $8,326,000) was charged to land held for future development for interest, taxes, professional fees and commissions and general and administrative expenses.

7. Rental properties

	1980			1979
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	($000's)	($000's)	($000's)	($000's)
Shopping centres	50,478	776	49,702	3,424
Office buildings	60,627	1,161	59,466	11,557
Hotels	5,253	157	5,096	—
Apartments and other	56,448	2,825	53,623	—
	172,806	4,919	167,887	14,981
Under construction	49,365	—	49,365	25,198
Options	—	—	—	1,305
	222,171	4,919	217,252	41,484

Costs to complete rental properties under construction are estimated at $30,033,000 (1979 — $22,096,000).

8. Property and equipment

	1980			1979
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	($000's)	($000's)	($000's)	($000's)
Automotive	17,136	2,164	14,972	—
Hotel and restaurants	14,414	2,551	11,863	—
Aviation	9,519	1,628	7,891	—
Other	16,839	1,180	15,659	1,141
	57,908	7,523	50,385	1,141

9. Investments

	1980	1979
	($000's)	($000's)
Equity in net assets of affiliated companies		
Alberta Gas Chemicals Ltd.	24,367	—
The Christiana Companies, Inc.	5,832	
Travelers Acceptance Corporation Ltd. (Alberta)	394	—
Allarco Developments Ltd.	—	18,103
	30,593	18,103
Equity in net assets of unconsolidated subsidiary		
Seaboard Life Insurance Company	6,352	—
	36,945	18,103
Unamortized excess of cost of investments over equity in net assets	60,396	4,822
	97,341	22,925
Other, at cost	1,367	—
	98,708	22,925

9. Investments continued

During the year the Company increased its interest in Allarco Developments Ltd. to 100%. Investments in affiliated companies and the unconsolidated subsidiary of Allarco Developments Ltd. include a 40% interest in Alberta Gas Chemicals Ltd., a 50% interest in Travelers Acceptance Corporation Ltd. (Alberta), and a 67.8% interest in Seaboard Life Insurance Company.

As at December 30, 1980 the Company had purchased 539,000 common shares of The Christiana Companies, Inc., representing 22.4% of the outstanding common shares.

The equity in earnings of affiliated companies and the unconsolidated subsidiary is summarized as follows:

	1980	1979
	($000's)	($000's)
December 31, 1979 to June 30, 1980		
Allarco Developments Ltd.	7,665	1,050
July 1, 1980 to December 30, 1980		
Alberta Gas Chemicals Ltd.	6,023	—
Seaboard Life Insurance Company	1,187	—
Travelers Acceptance Corporation Ltd. (Alberta)	700	—
December 31, 1979 to December 30, 1980		
The Christiana Companies, Inc.	381	—
	15,956	1,050

The following is the condensed financial information for Seaboard Life Insurance Company for the year ended December 31, 1980.

SEABOARD LIFE INSURANCE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
December 31, 1980

	1980	1979
	($000's)	($000's)
Assets		
Cash and marketable securities	30,524	22,854
Loans	7,247	8,006
Other	1,740	789
Segregated funds	4,486	3,814
	43,997	35,463
Liabilities		
Policy reserves	18,252	14,594
Estimated claims	6,534	5,101
Policyholders' funds on deposit	2,156	2,089
Other	3,125	2,573
Segregated funds	4,486	3,814
	34,553	28,171
Shareholders' equity		
Share capital	2,773	2,762
Retained earnings	6,671	4,530
	9,444	7,292
	43,997	35,463

9. Investments continued

SEABOARD LIFE INSURANCE COMPANY
CONDENSED CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended December 31, 1980

	1980	1979
	($000's)	($000's)
Revenue	26,196	20,406
Amount paid out or set aside for future payment	16,341	12,875
Selling and administrative expenses	6,046	4,245
	22,387	17,120
Income before income taxes	3,809	3,286
Income taxes	1,349	1,308
Net income	2,460	1,978
Retained earnings, beginning of year	4,530	3,292
Decrease (increase) in statutory valuation reserves	94	(140)
Dividends	(413)	(600)
Retained earnings, end of year	6,671	4,530

Significant Accounting Policy

The consolidated financial statements are prepared in accordance with insurance accounting principles prescribed or permitted under statutory authority which differ from generally accepted accounting principles.

10. Bank indebtedness

The bank indebtedness is represented by operating loans and project bank loans of Carma Developers Ltd. and certain subsidiary companies. The bank indebtedness of Carma Developers Ltd. is secured by a general assignment of receivables and a first floating charge demand debenture. The bank indebtedness of the subsidiaries is secured by a general assignment of receivables, specific mortgages, demand debentures, and equity in certain projects, all as related to the subsidiaries.

11. Payables and accruals

	1980	1979
	($000's)	($000's)
Trade and other payables	65,316	27,562
Accrued development costs on land sold	24,994	17,385
Secured payables	6,960	—
	97,270	44,947

A net unrealized foreign exchange gain of $2,996,000 (1979 - $716,000) is included in trade and other payables.

Inventories of automobiles owned by a subsidiary have been pledged as security for the secured payables.

12. Long term debt

	Average Interest Rates	1980 ($000's)	1979 ($000's)
Mortgages and agreements of purchase and sale			
Land, developed and under development	17.50%	21,371	10,489
Land held for future development	12.30%	111,889	77,242
Rental properties	10.88%	134,611	28,211
Other	14.78%	20,216	920
Note and loans payable on acquisition of Allarco Developments Ltd.	15.03%	192,118	12,665

Secured debentures	Maturity	Retractable	Extendible	Interest	1980	1979
Series A	1996	1981		11.5%	4,014	8,557
Series B	1997	1985		11 ¼%	6,104	13,056
Sinking fund debentures						
Series A	1998	1984	N/A	11 ¼%	14,086	14,550
Series B	1999	1987	N/A	12 %	19,527	20,000
Series C	1989	N/A	N/A	12 ½%	15,000	15,000
Series D	1985	N/A	2000	Prime + ¼%	27,000	—
Series E	1987	N/A	1995	14 ¼%	15,000	—
					580,936	200,690

The secured debentures and sinking fund debentures are secured by separate floating charges upon the undertaking and all property and assets of the Company subject to certain allowable prior charges. The floating charge securing the secured debentures ranks prior to the floating charge securing the sinking fund debentures. The secured debentures are also secured by a fixed and specific mortgage pledge and charge on certain specific assets of the Company.

Principal payments due on long term debt are as follows:

Year ending December 30,	1981	60,370
	1982	221,026
	1983	29,075
	1984	32,509
	1985	20,977
Subsequent to December 30,	1985	216,979
		580,936

13. Share capital

Authorized

Par value	First Preferred Shares $20.00	Preferred Shares $20.00	Convertible Common Shares Class A No par value	Class B No par value	Class C No par value	Class D No par value
December 31, 1979	235,875	5,000,000	12,000,000	12,000,000	—	—
Cancelled	(74,850)	—	—	—	—	—
Increases	—	20,000,000	63,000,000	63,000,000	50,000,000	50,000,000
December 30, 1980	161,025	25,000,000	75,000,000	75,000,000	50,000,000	50,000,000

Increases in authorized share capital were approved at a Special General Meeting of Shareholders, October 15, 1980.

13. Share capital continued

Issued and fully paid

	8.75% Cumulative First Preferred Shares, Series A		Convertible Common Shares			
			Class A		Class B	
	Number	($000's)	Number	($000's)	Number	($000's)
Balance, December 31, 1979	207,875	4,157	8,084,236	4,461	3,017,994	1,665
Two for one subdivision of common shares, October 15, 1980	—	—	8,310,943	—	2,844,113	—
Shares redeemed or repurchased	(46,850)	(937)	(80,218)	(61)	—	—
Issued as stock dividends	—	—	—	—	116,854	2,128
Issued under stock option plan	—	—	14,405	21	—	—
Issued under employee share purchase plan	—	—	1,785	27	—	—
Issued on acquisition of Allarco Developments Ltd.	—	—	376,499	5,956	—	—
Net conversion of shares during the year	—	—	797,305	496	(797,305)	(496)
Balance, December 30, 1980	161,025	3,220	17,504,955	10,900	5,181,656	3,297

The Company has a stock option plan under which options on 43,906 common shares are outstanding as at December 30, 1980. These options have been granted to senior officers and employees and are exercisable to July 31, 1981 at $0.75 per share.

14. Dividends

	1980	1979
	($000's)	($000's)
Preferred share cash dividends	329	414
Common share cash dividends	6,197	5,644
Common share stock dividends	2,128	446
	8,654	6,504

Under the terms of the supplemental trust indenture securing the Sinking Fund Debentures, Series E, dividends on common and preferred shares shall not be declared or paid if after such payment the amount of consolidated shareholders' equity would be less than $70,000,000.

15. Interest

	1980	1979
	($000's)	($000's)
Interest incurred on long term debt and bank demand loans	54,602	17,078
Less: Interest applicable to land held for future development	15,768	6,854
Interest applicable to rental properties under construction	2,579	342
	18,347	7,196
	36,255	9,882

15. Interest continued

	1980 ($000's)	1979 ($000's)
Summary		
Interest related to land development operations	17,712	9,426
Interest related to investments	7,378	—
Interest related to completed rental properties	7,641	456
Other interest	3,524	—
	36,255	9,882

16. Administrative and general

	1980 ($000's)	1979 ($000's)
Administrative and general expenses incurred	21,265	10,813
Less: Amounts received from joint venture participants	229	1,372
Amounts capitalized to land held for future development	1,854	694
	2,083	2,066
	19,182	8,747

17. Remuneration of directors and senior officers

The aggregate direct remuneration of directors and senior officers amounted to $2,096,000 (1979 - $1,652,000) which amount included $83,000 (1979 - $57,000) in directors' fees.

18. Appraisals

The properties and options of Carma Developers Ltd. and its subsidiaries other than Allarco Developments Ltd. and its subsidiaries were appraised as at December 30, 1980 and 1979 by J. C. Leslie Appraisals Ltd., Appraisers and Real Estate Consultants. The properties and options of Allarco Developments Ltd. and its subsidiaries were appraised as at December 30, 1980 by Edward J. Shaske & Associates Ltd., Appraisers and Real Estate Consultants.

18. Appraisals continued

The results of the appraisals for Carma Developers Ltd. and its subsidiaries other than Allarco Developments Ltd. are as follows:

	1980					1979
	Land, developed and under development ($000's)	Land held for future development ($000's)	Rental properties and rental properties under construction ($000's)	Residential units under construction ($000's)	Total ($000's)	Total ($000's)
Appraised value	134,134	448,961	80,074	5,379	668,548	507,515
Book value	71,110	206,931	67,215	4,791	350,047	257,571
Adjustments to arrive at a basis consistent with the appriasal						
(a) Cost to complete sub-divisions under development	14,906				14,906	7,547
(b) Cost to exercise options		30,293			30,293	37,712
(c) Development costs to date on land appraised as undeveloped		(4,758)			(4,758)	(5,036)
	86,016	232,466	67,215	4,791	390,488	297,794
Excess of appraised value over total cost thereof	48,118	216,495	12,859	588	278,060	209,721

18. Appraisals continued

The results of the appraisals for Allarco Developments Ltd. and its subsidiaries are as follows:

	1980				
	Land, developed and under development	Land held for future development	Rental properties and rental properties under construction	Property and equipment	Total
	($000's)	($000's)	($000's)	($000's)	($000's)
Appraised value	6,228	166,709	195,270	70,568	438,775
Book value	4,742	94,042	150,037	50,385	299,206
Adjustments to arrive at a basis consistent with the appraisal					
(a) Cost to complete sub-divisions under development	470				470
(b) Development costs to date on land appraised as undeveloped		(528)			(528)
	5,212	93,514	150,037	50,385	299,148
Excess of appraised value over total cost thereof	1,016	73,195	45,233	20,183	139,627

	1980	1979
	($000's)	($000's)
Consolidated summary		
Appraised value	1,107,323	507,515
Adjusted book value	689,636	297,794
Excess of appraised value	417,687	209,721

For property held by Allarco and its subsidiaries, book value includes that portion of the excess of the cost of the Company's acquisition of Allarco over the net book value attributed to real estate assets.

The appraised value does not make any allowance for selling and administrative expenses nor income taxes related to the sale of appraised properties. The appraisal is the sum total of the individual properties. No assumptions have been made with respect to the bulk sale of the entire holdings or groups of properties.

19. Joint ventures

The financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated joint ventures and partnerships. A summary of these amounts is as follows:

	1980	1979
	($000's)	($000's)
Assets	160,856	36,714
Liabilities	46,587	23,733
Revenue	50,271	21,689
Expenses	28,345	9,400

20. Transactions with related parties

The Company sells substantially all residential building lots in Canada pursuant to contractual agreement between the Company and certain of its common shareholders who are active house builders (Builder-Shareholders). The contracts assure that each Builder-Shareholder will be entitled to purchase a known percentage of all residential building lots developed by the Company in each division in which the Builder-Shareholder holds a marketing contract. Nu-West Group Limited, which holds a 48.7% interest in the Company, also holds, directly or through subsidiaries, a marketing contract in substantially all areas in Canada in which the Company operates.

A summary of transactions with Nu-West Group Limited and its subsidiaries for the year ended December 30, 1980 and intercorporate balances as at December 30, 1980 with Nu-West Group Limited and its subsidiaries is as follows:

	1980
	($000's)
Sales	25,806
Accounts receivable	21,518
Accounts payable	1,842

In addition, the Company participates with Nu-West Group Limited in several unincorporated joint ventures for the development of land in the Calgary and Edmonton areas. A summary of the Company's proportionate share of the accounts of these joint ventures as at December 30, 1980 and for the year then ended is as follows:

	1980
	($000's)
Assets	50,085
Liabilities	25,175
Revenue	45,037
Expenses	23,784

During the year ended December 30, 1980, the Company charged $52,756 to the joint ventures on account of management fees while Nu-West Group Limited or its subsidiaries charged $285,188 to the joint ventures on account of management fees.

21. Contingent liabilities

The Company is contingently liable under guarantees which are issued in the normal course of business and with respect to pending litigation and claims which arise from time to time. In the opinion of management any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

The Company is contingently liable under joint and several guarantees for a total of $20,762,000 (1979 - $6,719,000) of co-participants' shares of bank loans of joint ventures and partnerships. The co-participants' net worths, including their equity in the assets of the joint ventures and of partnerships, are available to support their respective joint and several guarantees.

22. Segmented information

Information as to amounts included in the consolidated financial statements for the different lines of business carried on by the Company is as follows:

	Real Estate ($000's)	Financial Services ($000's)	Chemicals ($000's)	Retail, Service & Other ($000's)	Total ($000's)
Total assets	871,299	49,154	83,413	26,905	1,030,771
Revenue	270,306	26,909	—	42,892	340,107
Net operating income (loss) before depreciation and amortization	60,111	1,369	—	(933)	60,547
Depreciation and amortization	2,552	408	—	570	3,530
Net operating income (loss)	57,559	961	—	(1,503)	57,017
Equity in net income of affiliates and unconsolidated subsidiary	8,046	1,187	6,023	700	15,956
Income before income taxes and minority interest	65,605	2,148	6,023	(803)	72,973
Income taxes	28,308	470	—	(739)	28,039
Minority interest	—	1,048	—	—	1,048
	28,308	1,518	—	(739)	29,087
Net income	37,297	630	6,023	(64)	43,886

Information as to amounts included in the consolidated financial statements for the geographic areas in which the Company operates is as follows:

	Canada ($000's)	United States ($000's)	Total ($000's)
Total assets	755,601	275,170	1,030,771
Revenue	263,217	76,890	340,107
Net operating income	54,887	2,130	57,017

23. Subsequent event

Pursuant to an Underwriting Agreement dated January 19, 1981 the Company issued and sold $65,000,000 principal amount of 8.75% Cumulative Redeemable Convertible Preferred Shares, Series A (par value $20 each). Concurrently with this offering the Company agreed to sell by private placement an equivalent number of shares at the same offering price to Nu-West Group Limited.

24. Guaranteed account assets and liabilities

	1980 ($000's)
Assets	
Cash and short term deposits	84,618
Mortgages, loans and notes receivable	271,162
Marketable securities	51,456
	407,236
Liabilities	
Customers' funds on deposit	395,459
Mortgages and other	11,777
	407,236

Directors and Officers

Klaus Springer (c,e)	Chairman of the Board Director	President of Springer Development Corporation Ltd.
Joe Combe (a,e)	Vice-Chairman of the Board Chief Executive Officer Director	Executive of the Company and President of Ebmoc Management Ltd.
Roy Wilson (e)	President	President of the Company
Ken Comyns	Director	President of Nu-West, Inc.
Stan Hooper (a)	Director	President of Stanton Developments Ltd.
Howard Ross (c,e)	Director	President of Britannia Homes Ltd.
Ralph Scurfield (c,e)	Director	President of Nu-West Group Limited
A. Scott Taylor (a)	Director	Vice-President of Pembroke Management Ltd.
Tony Usselman (a,e)	Director	President of Anton Developments Ltd.
Bryan Winspear	Vice-President and Director	Executive of the Company
Rudy Janzen	Executive Vice-President	Executive of the Company
Dale Moffett	Vice-President	Executive of the Company
Dick Owen	Vice-President and Chief Financial Officer	Executive of the Company
John Shields	Vice-President	Executive of the Company
Wayne Sramek	Vice-President	Executive of the Company
Roman Winnicki	Vice-President	Executive of the Company
Barry Wong	Vice-President	Executive of the Company
Paul McAteer	Secretary and General Counsel	Executive of the Company
Jim Smith	Treasurer	Executive of the Company
David Goldberg	Assistant Secretary	Barrister and Solicitor with Ross & McBride

a — audit committee
c — compensation committee
e — executive committee

TRANSFER AGENTS & REGISTRARS:

Guaranty Trust Company of Canada — Class A and B Common Shares, First Preferred Shares

The Canada Trust Company — Secured Debentures

Montreal Trust Company — Sinking Fund Debentures

SHARES LISTED:

Toronto Stock Exchange
Alberta Stock Exchange

AUDITORS:

Deloitte Haskins + Sells

Builder Shareholders

201 Holdings Ltd.
A. B. Custom Designers Ltd.
Abbotsford Homes Ltd.
Ace Lange Construction Ltd.
Al's Construction Ltd.
Allankay Construction Ltd.
Alldritt Development Limited
Amrin Investments Ltd.
Arndell Custom Homes Ltd.
Art Rempel Homes Ltd.
Atina's Homes Ltd.
Bamlett Construction Ltd.
Bestlands Development Ltd.
Birchwood Development Company
Bourne, L. R.
Boychuck Construction Ltd.
Bracco Homes Ltd.
Brian Robinson Const. Ltd.
Britannia Homes Ltd.
Brownjohn Homes Ltd.
Built-Rite Developers Ltd.
Buran Homes Ltd.
Cabros Enterprises Inc.
Cairns Homes Ltd.
Canajan Construction Co. Ltd.
Candlelight Homes Ltd.
Cochren Brothers Limited
Cohoe Contracting Limited
Community Builders Ltd.
Cooke, R. J.
Dania Realty Ltd.
Davis Construction
Davis Custom Homes Limited
Delwood Construction & Devel. Ltd.
Dewdney Construction Ltd.
Dovertel Construction Ltd.
E. R. McDonald Ltd.
Edmac Developments Limited
Edward Bros. Industries Ltd.
Ekert & Smith Construction Ltd.
Engineered Homes Limited
Escher Construction Ltd.
F. C. Thompson Investments Ltd.
Fairwood Construction Ltd.
G. Janssen Homes Ltd.
G. Peterson Construction
G. W. Boldt Homes Ltd.
G. E. Lentsch Construction
Golden Ears Construction Ltd.
George Tkachuk and Son Construction
Gerhard Bartel Building Contractor
Gracita Investments Limited
Gary Grelish
Hall Construction
Harder Custom Homes Ltd.
Helmer, E. B.
Hewitt, Gordon J.
Hiljay Homes Limited
Hoing Construction Ltd.
Island-View Construction Ltd.
Ivan P. McKenna Const. Ltd.
J. & M. Home Improvements Ltd.
J. Bright Holdings Ltd.
J. K. Built Homes Ltd.
J. Kern Custom Homes Ltd.
J. Schouten & Sons Contractors
Jacobsen, George
James Robinson Const. Ltd.
Jay Robinson Construction Ltd.
Jennis Construction Co. Ltd.
John A. McKenna Const. Ltd.
John Bruce Robinson Const. Ltd.
John E. Robinson Construction Limited
John Penner Const. Co. Ltd.
Koffmar Construction
Koltes Construction Limited
F. Kuran Construction Co. Ltd.
Kvellestad, Lars & Norman
Leamac Industrial Devel. Ltd.
Leemar Developments Ltd.
Letkeman, Alvin
Lietz Construction (1977) Ltd.
M. P. R. Construction Ltd.
Marlo Homes Limited
Mastercraft Homes Ltd.
Mayotte Limited
Menno Developments Ltd.
Merriam, C.
Mizera Construction Co. Ltd.
Neal's Construction Ltd.
Neufeld Construction Ltd.
Noort Developments & Holdings Ltd.
Norcoast Homes Ltd.
Nu-Venture Homes Ltd.
Nu-West Development Corp. Ltd.
Oakland Homes Ltd.
Otto Bartel Homes Ltd.
Palace Builders Ltd.
Palace Homes Ltd.
Palisade Developments Ltd.
Paragon Homes Limited
Park Place Projections Ltd.
Pearce Construction Co. Ltd.
Perry Homes of Permanence Ltd.
Peters Bros. Const. Co. Ltd.
Plaza Construction Ltd.
Porter Developments
Qualico Developments Ltd.
R. Wiebe Construction Limited
R. G. C. Drywall (1976) Ltd.
Rainbow Construction Co. Ltd.
Razio Construction Limited
Reinders-Watts Developments Ltd.
Rempel Const. Company Ltd.
Rempel, G. W.
Rich-Lion Construction Ltd.
Ridgewood Construction Ltd.
Robert Bontkes
Rosemont Rental Developments
S. C. Anderson Developments Ltd.
Schaaf Brothers Construction
Schild Construction Ltd.
Schmid Brothers Const. Ltd.
Semon & Lucas Const. Cgy. Ltd.
Semon Construction Ltd.
Sidney Devries Cement Contracting
Skylark Construction Ltd.
Solomon Construction Ltd.
Southward Developments Limited
Spindler Investments Ltd.
Springer Development Corp. Ltd.
Stanton Developments Ltd.
Sundel Developments Ltd.
T. N. W. Construction Ltd.
The H. A. Roberts Group Ltd.
Trendmaker Homes Ltd.
V. Ozols Construction Ltd.
V. R. Homes Limited
Vaage Construction Ltd.
Vern Sparks Construction Ltd.
W. G. Henze Construction Ltd.
W. E. Industries Ltd.
Walter's Homes
Wayne Homes Ltd.
Wm. Lange Construction Ltd.

DIVISIONAL ADVISORY BOARDS

Calgary:
Tom Hughes, Arnold Lietz, Al MacLean, Bob Nobes, Mike Ross, Eck Spindler.

Edmonton:
Eric Albrecht, Walter Braul, Keith Dahlen, Irvin Just, Maurice Lemieux.

Vancouver:
Doug Bigelow, Irv Boschman, Larry Bourne, Vic Hoing, Peter Hyndman, Denny Pearce, Mitts Sakai.

Ontario:
Mike Edgecombe, Don Ennis, Carl Grant, John Sandusky.

ICI Division:
Joe Finochio, Peter Hyndman.

***Carma Directors, Officers and Management who serve on Advisory Boards are not listed.

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